REAL ESTATE

Home Franchise Management

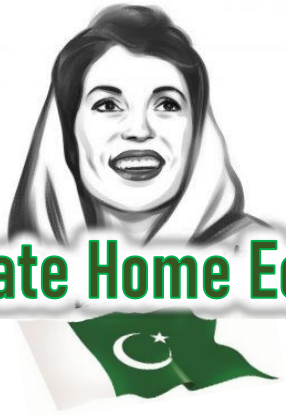
Sustaining the Economy through

Amenity based REIT (Real Estate Investment Trust)

And

Residential Consumer

Residential Labour



Corporate Home Economist

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Supplemented Case Studies of Overseas Pakistanis & Space Tech

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Real estate home franchise management – The idea in a nutshell:

Agenda:

- Need for stable returns – usually investment in real estate is done for speculative gains (notional increase in wealth, which eventually results in concentration of wealth in few hands, and dire need for value additive approach towards managing wealth in order to reduce income disparity.

- Expanding the definition of real estate – the concept of real estate franchise management aims to enhance quality of life instead of real estate brand marketing. Currently dilemma of low quality construction material and illusion of location factor exists in real estate market which has led to the wealth being locked up in stationary land, particularly talking about the developing nations with high inflation rates.

- It is pertinent to note that quality life experience doesn't merely revolve around the possession of wealth, but rather how you make most out of it, this shall include ***utility maximation*** from products and ***maximization of job satisfaction*** from any field.

- Marketability of investment means that how much liquid it is, means that whether an investor can withdraw the wealth within no time or not. In real estate market many a times the wealth is stucked for such a prolong time that the investor has to bargain for a low value in order to release the wealth.

- The concept of REIT comes to the rescue where the exposure of gains from real estate are given to the investors who can withdraw their investment without any hurdles.

- It is an established fact that the only corporate sector with high stability and resilience towards uncertain economic conditions is Real Estate in Pakistan.

- ***"Real estate franchise management"*** is an attempt to link the real estate dynamics to quality of life assured instead of being confined to location and brand factor of real estate developers.

- Real estate franchise management is a real estate wealth management strategy which embraces the business model of franchise. Franchise models inculcates the idea of providing consistency in quality of products and services, via standardized SOPs and measures for products and robust human resource training manuals and CPD to ensure smooth operations.

- Since real estate entity itself will not produce the goods and services to provide the residents with quality life, it shall invite the institutional investors to not only invest in the REIT fund, but also seek the distribution channel and human resource services from the management.

- The real estate franchise will not be merely providing services of utility and job satisfaction to consumers, but shall also seek to expand by acquiring residential, commercial apartment or pursue redevelopment of existing ones, for this purpose it shall seek listing in stock exchange.

- REIT is the legal form of such businesses where the real estate gains that are stable are shared with investors in return of investment.

- **Franchise and Developmental REIT**
  The conventional REIT pertains to earning rent via developing infrastructure and giving to entities that make highest and best use of it, may it be residential, commercial space, healthcare, IT park etc. However delving deep into the real estate dynamics, franchise based real estate is another concept that includes earning franchise fees while the infrastructure is owned by another party. The franchise fees is earned on the basis of right of use of brand by another party which is obliged to follow the standards and protocols implemented by the franchisor in order to maintain the quality and brand. In this document I have covered both developmental and franchise based REITs where the base of rental income is enhanced via consumer residential and labour residential.

- In this model I have proposed the system of ***Franchise based REIT management***, this means that instead of conventional REIT, where the returns from rent eared from residential or commercial premises, the franchise management is management outsourcing, it means that it is not bound by location of premises. This concept brings revolution, in a sense that REIT is giving exposure of gains earned from providing management outsourcing services to low profile residential societies, rental apartments etc. And not only that, but also that Franchise REIT, shall earn gains from outsourcing of home management (utility management) or career outsourcing to any sectors consumers and labour. Here the REIT, since it shall be diversified in terms of offering exposure to gains earned from every sector, is likely to have subsidiary funds, which shall be designated for every sector.

- However there is need for a task force which shall ensure that customer loyalty and labour loyalty is attained in order to make sure that business development, human resource development and operations remain persistent and value additive for the institutional investors. Therefore the concept of ***CORPORATE HOME ECONOMIST*** advents at this occasion.

- Corporate home economist is a taskforce of real estate franchise which ensures the loyalty of residential customer to pay rent/management fee over the long time, and commission on placement from residential labour.

- Hierarchy of corporate home economist includes general and functional home economist. The general home economist is responsible to oversee the vested interests of investment alliance (this includes institutional investors: companies, financial institutions and private equity fund), however to ensure that needs of the family units are not only identified as per the relevant corporate but also to conduct R&D in order to provide differentiated products and assure that the industry has the competent labour available at the same instance.

  For instance, for a hospital the functional home economist shall ensure that the resident consumer are facilitated of the required medical services they should be availing and that the human resource on the same side is enough capable to provide qualitative services. For this purpose the functional home economist is ought to be possessing the relevant qualification such as doctor, pharmacist etc.

  The functional home economist always function in compendium with other home economists of different fields, say financial consultancy home economist, engineering home economist, lawyer home economist and manufacturing concern home economist.

The compendium of home economists shall work akin to a pack of wolves, where there is one leader who stays at the back and makes sure none remains behind (here it would mean general home economist who ensures that none of the institutional investors interests are compromised), and there are strong wolves surrounding the cubs, she wolves and elder wolves (that is the functional home economist who ensures quality of life and a safeguard against the exploitation of corporations).

- Two categories of CHE (corporate home economist) – consumer agency and HR agency package:
    - In consumer agency package – demand consciousness is built in order to improve utility and quality of life, the CHE guarantees value for money (differentiated) to residential customer. CHE has the opportunity to compile data and integrate with database.In return the retail investment and management fee/premium rent earned.
    - In HR agency package – career counselling is done to improve job satisfaction, CHE guarantees self-actualization to residential labour. CHE has the opportunity to compile HR data and integrate with database. In return human capital and commission on placement earned.

- The returns earned from offering both packages would result in higher dividend yield offered to both foreign and local investors, this particularly leverages the developing economies to offer higher returns to foreign investors since exposure to many sectors are provided, and for local investor to circulate the wealth in the economy eliminating the wealth in black economy.

- Institutional and retail investors in REIT fund and scope of corporate home economist – institutional investors (corporates, financial institutions and VCs), and retail investors - the residential customer investing in REIT is actually paying a security deposit for availing the services.

- The institutional investors shall be providing investment with the motive of earning returns and availing value addition facilities from REIT, while on other hand the residential consumer shall deposit initial security to enter into agreement to avail the facilities via corporate home economist.

- Application of consumer and HR agency package shall vary from segment to segment. The high income earners shall predominantly avail the consumer agency facilities and would supplement it few facilities of HR package.

- The lower income segment would opt for HR package to enhance the income level, and would supplement it with consumer facilities. This would include emphasis on attaining vocational/technical education which readily makes the resident capable to earn money.

- The middle or upper middle income shall go for hybrid, that is the blend of both quality life.

- These choosing of the aforementioned combinations would result in provision of opportunities for SMEs, startup and corporates with low brand profiles or uncaptured market to attain distribution channel for their products (e.g. Colgate introduced packed foods which failed miserably).

- The salient feature of REIT to retain long term investment – provision of value addition to institutional investors to make switching costs high, resulting in locked up investments for a prolong period of time. The value addition provided shall encompass the inbound logistics, operations, outbound logistics and after sales services, say a real estate holding company having a subsidiary REIT also have agricultural farms, hospitality management or mega retail mall as a part of its portfolio; it shall not only offer the dividend yield to the institutional investors but also the infrastructure it has to offer. Say Mc Donald investing in REIT shall be

offered facility of opening a franchise complemented with commercial storage, competent team to serve the customers, potato farms. Complications: SPAC and IPO,

- **Residential consumer package – a guiding path to the improvised consumer lifestyle:**

  The very premise of consumer package offered by CHE is that the consumer lifestyle is improvised by the CHE over the period of time by identifying the required goods and services the family unit should be availing, so that the wealth is circulated rather than be locked up. CHE provides the distribution channel to high brand profile corporates which are the part of the investment alliance, along with that the value addition services in the areas of inbound logistics, operations, outbound logistics and after sales services is provided by CHE for the purpose of which it shall pursue the residential labour package from other family units (this is discussed in next bullet).

  The objective of the CHE for the corporations is to enhance their brand value and win the trust of the family units, this shall allow the corporations to manage their marketing budget, and provide value addition services which shall allow the alliance to attain direct access to the consumer without incurring substantial set up costs. CHE shall have functional home economist come into the action to not only make the products of corporations endorsed, but also provide the quality experience to the family unit which shall allow the corporations to develop their knowledge base regarding consumer analytics and improvise the R&D department.

  Along with providing improvised lifestyle, the CHE shall also offer HR services, but it shall be part of consumer package where CPD and career counselling is pursued for the job satisfaction of the family unit.

  This in turn not only enhance the perception of the consumer regarding the products, but also make their demand sensitive in terms of features and fulfilling the unattended needs. On the other hand the provision of HR services for job satisfaction shall offer the corporate alliance an opportunity to identify labour that not has the right qualification to lead on the executive position but also has the knowledge and vision for the marketing and sales strategy for the entity.

  This very process shall allow the demand sophistication to happened and inculcate the culture of assessing quality of product as the benchmark to prefer certain brand, instead of being illusioned by the marketing and advertisement tactics.

- **Residential labour package –** ***a guiding path to the value additive public management :***

  The very premise of HR package offered by CHE is that some people have vision to fulfill and some have economic needs to be satisfied. The role of CHE is to analyze the family units, whether their utmost need is to whether increase the pie of earning or to enhance the lifestyle, in pragmatic cases, it shall be a hybrid of both with bespoke terms, say a mediocre family struggling with bread and butter, if it avails the CHE services, they shall outsource the career decisions of both parents and children to CHE. The CHE shall focus more on HR development and equip the family with skills which particularly makes them capable to earn income which is enough to meet the both ends.

  This shall include the addition of vocational education for the children, and CPD for both father and mother, it is subjective and judgmental for CHE of how it manages it. It would be highly likely that father shall be attaining the CPD of the job he is already doing in order to increase the pie of earning, for mother who is traditionally known as housewife shall be engaged as a functional corporate home economist or support staff in the CHE agency for providing value addition services for the relevant industry (this is the assertion for

fulfilling the HR needs of CHE and network, wherein the functional CHE and support staff are connected within a network of wealth creation of real estate franchise).

For the children, the career counselling shall include inculcating the technical skills and vocational education alongside the formal education in order to guarantee an income earning job which would suffice the economic needs. One point to note over here is that human instincts may not merely include basic economic needs but also includes self growth, self actualization and social esteem needs. The CHE shall therefore also provide means of other wants as well, however it shall be aligned with the budget of family available; this shall allow low brand profile corporates, startups and SMEs to attain the distribution channel for the low income segment. This would allow not only the HR development, but also an opportunity for those corporates to acquire labour via CHE which both loyal and qualitative.

- The way CHE shall be earning is the placement commission and commission from aforementioned corporate entities whom the agency is providing franchise services.

- Real estate franchise is a management outsourcing contract which is for both residential consumer and residential labour. The above description is for residential labour management, in previous points we talked about real estate franchise being implemented for both residential consumer and labour in three platforms: residential flats and apartments, gate colonies and cooperative society zoning.

- From the perspective of government, the real estate franchise management via REIT fund can provide with domestic loans to it, and avail tax amnesties and subsidies for the family units which shall in return impact the real estate dynamics as the demand is affected by externalities other than location factor.

- Exemplifying Germany – skills are preferred over the formal degree education.
  The current exploitative system thrives upon the notion of letting the population being expanded without any long term direction.

  Vocational education should be part of the curriculum since as the integral element of economy and needs of the person, a token of guarantee should exist which ensures a promising job that earns and also provides pathway to specialization in the particular field. Say, applied electrical, mechanical and civil engineering with apprenticeship and then applying for bachelors and masters. This shall ensure that the education curriculum is intact with the industry needs and changing dynamics of the economy.

- Further insights into the labour residential:
  When we talk about the “Science”, or the curiosity of a person to develop hypothesis and putting it into practice to authenticate its validity, we observe that there are two fold aspects of the scientific development: hypothesis and vocational.

  Now unfortunately, in contemporary era, the science (inclusive of social sciences) is pursued by many students only to encompass the hypothetical aspect, rather than vocational, and this has eventually led to a big gap in the market of applied skills resulting in huge unemployment and lack of quality labour.

  It is formidable to note that the vocational skills are more or less defined merely as in ambit of applied engineering, since these are the courses offered, however vocational is the aspect of the any subject of science which wholly focuses on applied version (technical skill) of it.

Say, medical field has applied version in terms of doctors specializing in their respective fields such as dermatology, cardiology, dentistry, and as well as biotechnology, biochemistry, moreover the skills that are ancillary, such as lab technician, dispensary, pharmacist etc.

Inculcating the aforementioned concepts, now I shall present to with the tactic of locking up the investment of institutional investor for a prolong period irrespective of the dividend earned from the investment in the REITs.

For retail investors its very simple, I earlier said that the residential consumer provides non refundable amount in order to enter into the agreement of the corporate home economist services offered by REIT. This amount is essentially a retail investment, against which the utility maximization by value for money goods and services are attained from the businesses which are on the panel of the corporate home economist. For goods and services to be value for money, the homonist has residential labour on its part as well, which is deployed to serve quality to the residential consumer.

Now for institutional investor, I earlier talked about the provision of value addition services that the REIT shall provide to the institutional investor in exchange of investment, however question arises that what shall be the dynamics of this tactic. Any investment that has a strategic purpose (***which caters to the objective of the organization to optimize the supply chain***), classifies as strategic investment, now the need analysis of having strategic investment into the REIT is to make sure that in case if the dividend yields are not enough competitive (means that they do not make up the expectation of the investor), then the option for the REIT is to provide the means of fulfilling the strategic objective of the institutional investor shall incentivize it to go for long term holding.

Now since I am talking about the provision of the means of the fulfilling the strategic objective for institutional investor, and value for money for retail investor, I shall wholly focus on those REITs that are owned by real estate holding companies, rather than a mere realtor who solely constructs and develops the commercial or residential buildings. Real estate holding companies are those real estate entities who have diversified portfolio, or in simple words who have various businesses from different industries at their disposal. Such as a real estate holding group shall have in its portfolio a controlling interest in a hospital, agriculture, manufacturing or university.

Now the game is very simple, as and when the institutional and retail investors approach REIT for prospective investment, the REIT shall not only put forth the prospectus of the REIT performance in terms of dividends, but also the portfolio of the real estate holding group whom the REIT belongs to. This shall enable both parties, the investor and the realtor to establish their terms of investment which shall include the size of investment and the provision of value addition services in the supply chain of the institutional investor, and value for money for retail investor.

Now resuming the discussion of the two fold aspects of science, the hypothetical and vocational, when the realtor shall be providing the value addition in the supply chain, or value for money of the investor via its controlling interest entities, the basis of such provision shall be value additive labour, and when I talk about value additive, its means providing value in terms of hypothetical (research and analytics) and vocational (technical skills). Hence the portfolio of the realtor has to be bonafide rather than a special purpose vehicle with no operations, hence in order to make sure the controlling interest entities are value additive, the labour infrastructure of these should be highly competent instead of holding degrees with no experience or skills.

Now comes the role of the corporate home economist, we talked about the role of corporate home economist for both utility maximization and labour development. Concerned with competence of labour, the

home economics unit shall be responsible for the workforce planning and development from the residential labour it has on its panel, and when I talk about labour, it includes both the hypothetical and vocational.

- **Domestic loans and public sector utility provision**

  I earlier talked about the value for money that the REIT shall provide in order to earn loyalty from consumer and labour, however for those utilities that are under control of government, and there are no means to provide them in capacity of private sector, the REIT management now has to end up in making a prolong agreement with the government of attaining the low cost utilities, in exchange or which the REIT shall offer domestic loan to government.

  Domestic loan being provided to government shall be based on terms that the government shall provide concessions which shall provide convenience to the stake holders of the REIT, that are: the entities in the portfolio or real estate holding company, institutional investors (corporates, financial institutions and VCs), retail investors (the beneficiaries of home franchising) and labour residential.

  We can imagine it as real estate holding company bargaining to attain subsidies for the entities which are part of its portfolio in terms of low cost of components, same would go for institutional investor where tax incentives can be bargained, then for residentials the subsidies for utilities can be bargained, and lastly for labour residential the HR development and career opportunities can be developed.

- **Subsidiary REIT Fund**

  Whenever we talk about the exposure the REIT is giving to the institutional investors, we merely mean the income earned, usually through rent or management fee. However the income earned by the trustees is gross of which share is given to the institutional investor, one cannot identify specifically which sector/industry the gain/income relates to, or for which franchise service is the income attributable to. For this purpose the REIT shall develop subsidiary funds, one for each sector which shall be targeted .

- **Amenity REIT to Developmental REIT**

  As I said before, the conventional REIT structure that is followed is developmental REIT, this contain development of residential and commercial apartments, and thereafter giving them on rent, where the trustees (owners) then receive the rent which is then offered to investors after deducting the management fee.

  However when I talk about amenity REIT, the conglomerate would implement amenities with its brand/logo in Franchise modality, wherein the management for utilities shall provided to low profile colonies/societies, flats etc. The purpose of it would be to increase the pie of management fee/rent in order to expand the share of profit/dividend to the unit holder/shareholder of the REIT, this shall increase the dividend yield and attract more investment by domestic and foreign investor increasing the pool of fund of the conglomerate.

  This process shall provide the resources to the conglomerate to pursue the developmental objectives, the developmental objectives for the conglomerates would not merely include acquisition of land or building, but rather to develop its portfolio either by organic growth or acquisition or merger with new entities.

  The reason I am asserting the aforementioned approach towards real estate, is that because unfortunately the corporations have pursued the real estate as a way to occupy the land by establishing residential

infrastructure, this has led to a big opportunity cost of land which could have been used for agriculture etc., resulting in scarcity of food, health care and welfare institutions.

Since the conglomerates are inducing the investors to invest in exchange of value addition – say raw material, labour, distribution channel etc., hence in order to ensure the pool of funds by REIT to grow in future via existing and prospective investors. Say Nishat procures REIT investment from Nestle and terms decided upon among them is the provision of quality checking and procurement of milk by Nishat dairy, would induce Mansha family to utilize those funds to establish more dairy units and concentrate upon labour residential to ensure productive and effective labour from rural areas is trained as per international standards in order to win confidence of Nestle.

Pvt Equity Fund

Private equity fund is a pool of fund managed by a separate legal entity, that invests in SMEs, small scale businesses and startups, along with it allows potential investors to invest in the fund in order to gain exposure to the profits of those entities.

The role of REIT is to cash the opportunity to accumulate funds from the pockets of VCs and private equity fund via several ways, one such way is to establish a service agreement with small scale private venture or startup.

Service agreement is a contract to share infrastructure, labour and competences by one entity to another, or among themselves. For the case of small scale ventures or stratups, the REIT of conglomerate business house establishes a service agreement with them and return becomes the allottee of the investment received from private equity fund investors.

The economic substance of such agreement is that those ventures, who are either in losses yet, or with zero revenue, are assisted by the conglomerate house to build up distribution channel (in case if the venture is B2C) via its pvt subsidiaries and amenity management as a part of REIT (consumer residential programme). Or assist in provision of labour, technical assistance via labour residential programme.

The assertion of service agreement with initial stage ventures is to make up such terms that major portion of investment received from institutional pvt equity fund is credited in REIT, or credited in the pvt subsidiary, which in turn credits certain portion into REIT, and credits certain portion for its own infrastructural development.

The venture shall get advantage that:

- It shall have the backup of a formidable business group which shall provide it a convenience of doing business rather than facing obstacles in an environment like Pakistan.
- Provision of portion of fund to business group, shall create an asset in its books, which shall provide a confidence to pvt equity fund regarding the stable financial position.
- The venture shall be able to generate income via sales (the consumer residential programme) and increase productivity by deploying labour (the labour residential programme).
- The private equity fund investor shall be able to yield not only share of profit, but shall also receive a portion of dividend from REIT which shall hedge any loss that might be incurred by the milk venture.
- An opportunity for private equity fund to exit from venture, and seek investment any other pvt subsidiary within business group.

Various scenarios can be developed with respect to the agreement that can be established:

Scenario #1

Venture is a separate entity from conglomerate business house, and business house (say Nishat Group) has an agreement say with a milk distribution startup, where Nishat offers the service agreement between Nishat dairy and

milk venture, wherein the Nishat group shall facilitate in technical assistance, labour provision and provision of distribution channel (B2C and B2B model).

Scenario # 2

Pvt equity fund separately invests in the venture and pvt subsidiary of the conglomerate business. In this case the service agreement doesn't include the apportionment of the funds attained from equity fund, rather only sharing of infrastructure and labour is incorporated as the part of the arrangement. This might take form of a JV between equity fund, venture and subsidiary.

Scenario # 3

Conglomerate business owns a private equity fund, and that fund in return forms JV with venture and subsidiary. Now trick of the game is that its not necessary that subsidiary belongs to the business group, because logically a conglomerate business cannot encompass business of each industry. Hence the subsidiary from whom the labour infrastructure shall be sourced, may be any independent entity (listed or unlisted) or be a part of any other conglomerate business.

This shall open up ways for the different conglomerate businesses to invest in REITs of other conglomerates, which is very similar to bank having borrowing and lending of loans with each other at interbank offer rate. In simple words the funds invested in REIT of one conglomerate group is circulated in whole stock exchange increasing the trade volume.

Scenario # 4

The private equity fund simply invests in subsidiary of the conglomerate group which is unlisted. Then business group invests the amount in REIT increasing the stock exchange inflows.

Conclusion

At the end of the day whatever strategy is adopted by the conglomerates, the purpose shall be to uplift the REIT which shall show a bullish trend on the stock exchange, this shall in return attract investors – domestic and foreign both. The purpose over here to make sure that the funds accumulated do not remain under the table, rather they are invested into REIT, now you may ask that why REITs are being pumped up, the answer is very simple – REAL ESTATE IS THE REAL STATE! Pakistan stock exchange historically did not have much confidence in the stocks due to political instability, however real estate is the only sector which does not see a downfall, may there be political instability or not.

However the form of real estate prevalent in Pakistan is more of a speculative nature, that is investing in open plots for capital gain, this has resulted in many people being scammed into the procurement of files of plot against which there is no actual piece of land being allocated.

The purpose of amenity based REIT is to inculcate the trend of people and institutions investing their savings into the REITs against the benefits which they shall yield in present moment rather than getting their wealth trapped into real estate bubble or scam. Amenity based REIT ensures the incentive to develop the labour and institutions of the country, and in country like Pakistan it is the need of the hour to attract foreign and domestic investment into the country in order to get rid of IMF programme which has resulted in devastation of economy and layman in the country.

Financial Institutions (Banks, Brokers, Asset Management co., Insurance, Commodities) model:

Banks:

Investment banking: Source: https://www.mastertrust.co.in/Blog/what-is-the-role-of-investment-banks-in-an-IPO#:~:text=In%20an%20Initial%20Public%20Offering,in%20a%20new%20stock%20offering.

IPO

In an Initial Public Offering (IPO), an investment bank mainly ***acts as a middleman between the investors and the issuer***. It enables the clients, i.e., the companies to raise money. IPO is a way of offering shares of a private company to the public in a new stock offering.

Companies hire investment bankers when they plan a new stock issuance for the public for various functions like ***underwriting***, ***due diligence***, ***marketing*** and a ***smooth issuance process***. The role of investment banks is crucial for the success of an IPO.

Analysis:

We talked about conglomerate businesses where private subsidiaries are part of the group holding, and IPO services are crucial for successful listing of entities and raising of funds from public. Moreover, since REITs shall be a new addition to these businesses, the listing of REIT and its IPO shall be a formidable step towards paving ways for the domestic and foreign investors to influx the money into the stock market, not only upheaving the market index, but also making finances available to the conglomerates to pursue their respective objectives such real estate development, infrastructural development and acquisition.

Pricing and Valuation of Shares

Determining the appropriate price for an IPO is an important aspect. ***Investment banks play a crucial role in this as they carefully consider both maximizing the funds raised for their client company and attracting a significant number of investors.***

If the stock is priced too high, it may fail to attract sufficient investor interest, while pricing it too low may result in inadequate funds raised. ***Investment bankers assist the management and promoters of the company in establishing a fair price for the new offering and strive to arrive at a fair valuation of the shares to be issued.***

Analysis:

In case of REIT and private subsidiaries, the valuation shall be largely affected by the real estate brand of the conglomerates (for REITs), and brand of the existing businesses who form supply chain of specific business, such as cotton production, weaving and garment retail for textile section. The investment banking shall play a vital role in fair valuation of share price accounting for the overall

Underwriting

One of the most important roles of an investment bank is that of an underwriter. ***Underwriting refers to a process which involves evaluating the risk and price of a particular security***. Investment banks first ***buy or underwrite*** the securities of the issuing entity and then sell them in the market.

Thus, ***investment banks underwrite shares for companies that come with a new public offering***. It is also general for companies to engage many investment banks to underwrite a new public offering, whereby one company acts as a lead underwriter.

Application to the conglomerate REITs

The conglomerates target corporations, financial institutions and private equity fund to attain pool of funds in their REITs, underwriting by investment banks for IPO of REIT and other unlisted subsidiaries of conglomerates would be critical for the conglomerates as IPO would open ways for establishment of subsidiary REITs.

The bank facilitating such process may be part of conglomerate, say MCB bank owned by Nishat, here the funds acquired post IPO of unlisted subsidiaries may be utilized to pump up the subsidiary REITs which cover certain sector/industry.

In case if the bank is external party, then the conglomerate would offer the retail banking channel, here the role of corporate home economist would come wherein the middle man agency would market the bank products to the beneficiaries of amenity REIT, now the terms decided would have the conglomerate negotiate for low interest rate or debt/equity swap of existing facilities which would allow the conglomerate to increase the borrowing limit and procure more loans for strategic purpose.

Sale during the lock-up period

Banks ***impose lock-up periods on newly issued stocks***, usually lasting six months, which ***prevent early IPO investors from selling their shares before this period***.

The purpose of this is to ***create greater demand for the stock*** and ***prevent a large-scale sell-off*** that could cause a significant decline in the company's stock prices. This is mainly facilitated by investment banks.

The amenity REIT has three stakeholders: consumer residential, labour residential and conglomerate profile. Any IPO of unlisted entity in the group or REIT would be accompanied by the procurement of funds from institutional investors (say against value addition) and consumer residential – franchise modality, this would ensure the locked up investment for a prolong period since the motive would be amenity (for consumer) and value addition (in case of institutional investor).

Distribution Expertise

An important function of investment banks is to ***purchase shares from the issuing company and subsequently sell them to institutional investors***. Therefore, when companies choose an investment bank, it is crucial to assess the strength of their ***distribution expertise*** and ensure that the selected bank can assemble a robust syndicate that offers an appropriate and effective distribution channel for your company.

When hiring an underwriter for an IPO, it is essential to evaluate their ***distribution capabilities, strategies and network.***

Merger and Acquisition

A company's valuation plays a significant influence in M&A. ***The bank determines a company's true market value***. Investment bank develops its M&A plan for two companies. The investment bank also handles a company's ***financial planning*** because M&A requires a lot of money. It aids a business in obtaining capital for M&A.

Risk Management

When discussing finances or money, the only thing that comes to mind is how to ensure the protection of our money. So, risk management is a feature of investment banking as well. It assists the business in ***managing financial risk related to currencies, loans, liquidity, and other factors***. The bank ***evaluates credit risk and the market***. Investments spread out counterparties to reduce credit risk, and banks pick standard exchanges for trade. An investment bank has internal controls in place for a variety of risks, including ***business risks, investment risks, legal & compliance risk, and operational risk***.

Research

Corporates typically have a lot going on in their everyday lives, therefore the investment banks conduct the market research and study work on their behalf. This study aids in giving companies a rating that aids investors in making investment decisions. Based on a company's rating, ***research reports indicate whether to purchase, sell, or hold a particular asset***. One can determine the company's worthiness through this. Research is conducted by examining and contrasting various performances and reports of the company.

Retail Banking

All investors require ***consulting and advisory services in order to put money into any sector***, so investing also serves as a form of commerce for all investors. It offers customers a range of ***services like asset management and client financing raising***.

Next chapter:

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And relation with other sectors